

331
1/29

**OFFICE OF INDEPENDENT BUDGET ANALYST
CITY OF SAN DIEGO
M E M O R A N D U M**

No. 08-05

DATE: January 24, 2008

TO: Honorable Council President Peters and Members of the City Council

FROM: Andrea Tevlin, Independent Budget Analyst *AT*
Jeffrey Sturak, Fiscal & Policy Analyst *JS*

SUBJECT: Revisions to Council Policy 700-02 (Community Development Block Grant (CDBG) Program)

On Tuesday, January 29, 2008 the City Council will consider approving changes to the Fiscal Year 2009 Community Development Block Grant Program (CDBG) allocation process. These proposed changes are the first steps to addressing deficiencies outlined in recent Housing and Urban Development (HUD) Audits.

Since October 2007, a representative of the Office of the Independent Budget Analyst (IBA) has participated in an ad-hoc group that has been charged with reviewing the City's CDBG policies and practices. Attendees of this ad-hoc group have included representatives from Council Districts 1, 3, and 8, Auditor's Office, Comptrollers Office, San Diego Housing Commission, and the Mayor's Policy staff.

Historically, Community Development Block Grant funds have been used to fund multiple programs or services in the City's planning, Capital Improvements, Socials Services, and housing budgets. Unfortunately, as disclosed in recent Housing and Urban Development (HUD) Audits, many of these programs and services funded by CDBG do not meet one of the primary objectives which include:

1. Benefit to Low/Moderate Income Person
2. Elimination of Slum and Blight
3. Resolution of an urgent need (Alleviation of an existing condition which poses a serious and immediate threat to the health and welfare of the community, which are of recent origin, or which recently became urgent)

In addition, the HUD audits included concerns related to the City's overall management of the program. On January 9, 2008, staff presented to the Budget and Finance Committee seven recommendations for changes to the Fiscal Year 2009 CDBG process. At that meeting the committee members approved the recommendations to the CDBG process in concept but directed staff to make some changes that would better clarify the procedures and eligibility criteria. The changes that were requested by the Budget and Finance Committee members have

Page 2

Andrea Tevlin, Independent Budget Analyst

Jeffrey Sturak, Fiscal & Policy Analyst

January 24, 2008

been integrated into the draft ordinance presented for City Council consideration.

The Budget and Finance Committee also directed that the City's CDBG administrators provide to the City Council a comprehensive list of projects from the past one year that were determined to be ineligible by staff for CDBG funding. Additionally, the committee members requested a plan for how these projects will be funded in the future. Based on recent conversations with the CDBG administrators, they have stated that they are still in the process of compiling this information. This information should be available to the City Council in February.

Overall, the IBA supports the recommended changes to bring the CDBG program into compliance with HUD regulations and begin to move toward best practices. CDBG funds are very important to the City and have been used for multiple programs or services in the City's planning, Capital Improvements, Social Services, and housing budgets.

000283

COMMITTEE ACTION SHEET

COUNCIL DOCKET OF Jan 29, 2008

331
1/29

☐ Supplemental ☒ Adoption ☐ Consent ☐ Unanimous Consent Rules Committee Consultant Review

R -

O -

Community Based Development Organization Certification Process for the FY 2009 Community Development Block Grant Program

☒ Reviewed ☐ Initiated By Budget On 1/16/08 Item No. 3

RECOMMENDATION TO:

To accept the report and staff recommendations as detailed below; direct staff to incorporate recommendations into Council Policy 700-02 (Community Development Block Grant Program) and forward to the City Council for consideration.

Recommendations:

1. Minimum allocation of \$25,000 per project unless funding at a lesser amount would result in the completion of a project;
2. Funds must be used within 3 years or be re-programmed by the City Council;
3. The recommendation that no subrecipient agreements in the category of "Planning" will be clarified by staff; (CONT'D ON NEXT PAGE)

VOTED YEA: Atkins, Faulconer, Frye

VOTED NAY:

NOT PRESENT: Madaffer, Hueso

CITY CLERK: Please reference the following reports on the City Council Docket:

REPORT TO THE CITY COUNCIL NO.

COUNCIL COMMITTEE CONSULTANT ANALYSIS NO.

OTHER:

City Planning Department's January 16, 2008, CDBG Organization Checklist; City Planning Department's January 16, 2008, PowerPoint

COUNCIL COMMITTEE CONSULTANT

Dee Kely Bankhead 1/17/08

RECOMMENDATION TO: (CONT'D)

4. Staff will implement a "Community Based Development Organization (CBDO) Certification Process for FY09. This process will be reported to the Budget and Finance Committee at its 1/16/07 meeting and will be referred to in the revised Council Policy 700-02;
5. Mandatory workshops for all CDBG applicants;
6. Applications deemed "questionable or ineligible" by staff will be forwarded to Councilmembers with a staff recommendation that they not be funded. No allocations to projects without applications;
7. Eliminate paragraph #6 in Council Policy 700-02 and instead reference the CBDO Certification Process;
8. Return to Budget and Finance Committee in 60-90 days with reports on the City's Fair Housing and Management Plans as required by HUD;
9. Following the completion of the FY 09 budget process in June or July, return to the Budget and Finance Committee with the City's Strategic Plan for CDBG in FY '10, including a plan for enhancing public participation;
10. Staff will provide a comprehensive list of the past one year's projects that are ineligible under supplanting prohibitions and a plan for how these projects will be funded in the future;
11. Return to the Budget and Finance Committee with a report on the Redevelopment loan issue following the completion of the HUD audit.

On Wednesday, January 16, the Committee received a report on the Community Based Development Organization (CBDO) Certification process. No additional action was taken by the Committee.

000285

REQUEST FOR COUNCIL ACTION

CITY OF SAN DIEGO

1. CERTIFICATE NUMBER
(FOR AUDITOR'S USE ONLY)
N.A.

TO: City Attorney

2. FROM (ORIGINATING DEPARTMENT):
City Planning and Community Investment1
1-14-08

4. SUBJECT:

Revisions to Council Policy 700-02 (Community Development Block Grant (CDBG) Program)

5. PRIMARY CONTACT (NAME, PHONE, & MAIL STA.)

Scott Kessler, MS 56D, 236-6405

6. SECONDARY CONTACT (NAME, PHONE, & MAIL STA.)

Anita C. Pyle, MS 56D, 236-6944

7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

X

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND					9. ADDITIONAL INFORMATION / ESTIMATED COST:
DEPT.					FISCAL IMPACT: No additional expenses are anticipated in FY 2009. Certain budgeted revenues and expenses will be re-allocated with no net effect.
ORGANIZATION					
OBJECT ACCOUNT					
JOB ORDER					
C.I.P. NUMBER					
AMOUNT					

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	DEPUTY DIRECTOR	SCOTT KESSLER	1-14-08	8	DEPUTY CHIEF	WILLIAM ANDERSON	1-14-08
2	CDBG	ANITA PYLE	1-14-08	9	COO	JAY GOLDSTONE	
3	AUDITOR	FAYE HOWARD-HALL	1-15-08	10	CITY ATTORNEY	MICHAEL NEUMEYER	
4	CFO	MARY LEWIS	1-15-08	11	ORIG. DEPT	SCOTT KESSLER	
5	ENVIRONMENTAL REVIEW	ALLISON SHERWOOD	1-15-08	DOCKET COORD: _____ COUNCIL LIAISON _____			
6	EOCP	CELIA GRIFFIN	1-16-08	<input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION <input type="checkbox"/> REFER TO: _____ COUNCIL DATE: 1/29/08			
7	Liaison Office	Ed Plank	1-17-08				

11. PREPARATION OF: ☒ RESOLUTIONS ☐ ORDINANCE(S) ☐ AGREEMENT(S) ☐ DEED(S)

See Attachment A

11A. STAFF RECOMMENDATIONS: Adopt the resolutions.

12. SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION.)

COUNCIL DISTRICT(S): CITYWIDE

COMMUNITY AREA(S): CITYWIDE

ENVIRONMENTAL IMPACT: This activity is not a "project" as defined in CEQA Guidelines section 15378, and therefore, is not subject to CEQA, pursuant to CEQA Guidelines section 15060(c)(3).

HOUSING IMPACT: None

OTHER ISSUES: None

ATTACHMENT A
(Continuation of Box 11)

- To approve revisions to Council Policy 700-02 (Community Development Block Grant (CDBG) Program) by making the follow changes:
 - Delete paragraph #6 from the existing Council Policy 700-02
 - Add the following language:
 1. No allocation of CDBG funds will be made to a project for which a CDBG application has not been received by the City.
 2. No allocation of CDBG funds will be made to a project of less than \$25,000, *unless funding at a lesser amount is necessary to complete a project already in progress.*
 3. A Community Based Development Organization (CBDO) certification process will be conducted in an effort to fund eligible project activities, as defined in the applicable U.S. Department of Housing and Urban Development regulations.
 4. No allocation of CDBG funds will be made to a subrecipient project in the category of "Planing," except for those subrecipients certified by the City as a Community Based Development Organization.
 5. All CDBG applicants shall attend mandatory workshops hosted by City staff during the annual CDBG application period.
 6. All CDBG funds allocated to projects shall be used within three years of the date of the allocation, or such funds will be reprogrammed by the City Council.

EXECUTIVE SUMMARY SHEET

CITY OF SAN DIEGO

DATE ISSUED:

REPORT NO:

ATTENTION:

Council President and City Council

ORIGINATING DEPARTMENT: City Planning and Community Investment

SUBJECT:

Community Development Block Grant Program

COUNCIL DISTRICT(S):

Citywide

CONTACT/PHONE NUMBER: Scott Kessler - 619-236-6405

REQUESTED ACTIONS:

- To approve revisions to Council Policy 700-02 (Community Development Block Grant (CDBG) Program) by making the follow changes:
 - Delete paragraph #6 from the existing Council Policy 700-02
 - Add the following language:
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 5. All CDBG applicants shall attend mandatory workshops hosted by City staff during the annual CDBG application period.
 6. All CDBG funds allocated to projects shall be used within three years of the date of the allocation, or such funds will be reprogrammed by the City Council.

STAFF RECOMMENDATIONS:

- Adopt the Requested Actions.


SUMMARY: In August 2007, the City received notice from the U.S. Department of Housing and Urban Development (HUD) of its concerns regarding the City's compliance with HUD regulations, and in response, it was determined, among other things, that Council Policy No. 700-02 would need to be amended. On November 19, 2007, the City's Economic Development Division reviewed the aforementioned concerns with the Audit Committee. On December 6, 2007, January 9, 2008 and January 16, 2008, the Budget and Finance Committee accepted the above revisions to Council Policy No. 700-02.

FISCAL CONSIDERATIONS: No additional expenses are anticipated in FY 2009. Certain budgeted revenues and expenses will be re-allocated with no net effect.

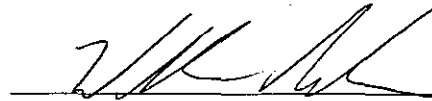
PREVIOUS COUNCIL and/or COMMITTEE ACTION: Presentation to Audit Committee on November 19, 2007; Presentation to Budget and Finance Committee on December 6, 2007; Presentation to Budget and Finance Committee on January 9, 2008.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Residents of low and moderate income communities, community-based organizations, community planning groups; and other community development organizations.



Scott Kessler
Deputy Director
Economic Development Division



William Anderson
Deputy Chief Operating Officer
Land Use and Economic Development

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY

SUBJECT: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)
POLICY NO.: 700-02
EFFECTIVE DATE: June 25, 1996

BACKGROUND:

The Housing and Community Development Act of 1974 established the Community Development Block Grant Program. The enabling legislation has been reviewed and amended by Congress every three years since 1974. The purpose of the CDBG program is to provide an annual source of funds to local governments for the purpose of implementing activities to develop viable urban communities, including decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Federal administration of the program is the responsibility of the U.S. Department of Housing and Urban Development. The City of San Diego has participated in the program since its inception.

PURPOSE:

To establish the general guidelines by which the City will select and implement activities utilizing Community Development Block Grant funds.

POLICY:

It is the policy of the City Council to allocate Community Development Block Grant funds in accordance with the following standards.

1. Selection and implementation of program activities that meet the Congressional intent of the program and the specific eligibility requirements as outlined by the U.S. Department of Housing and Urban Development.
2. Priorities of the Capital Improvements Program will be developed irrespective of whether or not the City is to receive Community Development Block Grant funds. Community Development Block Grant funds if received are to be used to supplement the City's Capital Improvements Program and not as a substitute for other City funds.
3. Funding will be allocated on a Fiscal Year basis (July 1 through June 30).
4. Allocation of Community Development Block Grant entitlement funds will be on an formulated basis, with 60% of the annual entitlement going to individual Council Districts and 40% allocated on a City-Wide basis. The percentage of funds each Council District will receive is based upon the number of low/mod individuals in each Council Districts when compared to the low/mod income population of the entire City. Data from the most recent census will be used to determine the percentage each Council District will receive.

5. Allocate 15% of each year's Community Development Block Grant entitlement funds to be expended for social services as defined in the applicable U.S. Department of Housing and Urban Development regulations.
6. A target of 20% of the annual Community Development Block Grant entitlement to be used for affordable housing purposes is hereby established. In addition, 100% of the housing loan repayments are pledged to the Housing Trust Fund for affordable housing purposes.

The targeted goal of 20% for affordable housing purposes can be specified projects and/or made available to the Housing Trust Fund at the discretion of the City Council.

7. No allocation of CDBG funds will be made to a project for which a CDBG application has not been received by the City.
8. No allocation of CDBG funds will be made to a project of less than \$25,000, unless funding at a lesser amount is necessary to complete a project already in progress.
9. A Community Based Development Organization (CBDO) certification process will be conducted in an effort to fund eligible project activities, as defined in the applicable U.S. Department of Housing and Urban Development regulations.
10. No allocation of CDBG funds will be made to a subrecipient project in the category of "Planning," except for those subrecipients certified by the City as a Community Based Development Organization.
11. All CDBG applicants shall attend mandatory workshops hosted by City staff during the annual CDBG application period.
12. All CDBG funds allocated to projects shall be used within three years of the date of the allocation, or such funds will be reprogrammed by the City Council.

HISTORY:

"Leasing of City-owned Property in Industrial Park"

Adopted by Resolution R-174133 01/10/1963

Repealed by Resolution R-208090 06/05/1973

"Community Development Block Grant Program (CDBG)"

Adopted by Resolution R-259072 08/15/1983

Amended by Resolution R-281638 03/22/1993

Amended by Resolution R-282395 07/26/1993

Amended by Resolution R-287559 06/25/1996

CITY OF SAN DIEGO
CITY PLANNING AND COMMUNITY INVESTMENT DEPARTMENT
CDBG PROGRAM

COMMUNITY BASED DEVELOPMENT ORGANIZATION (CBDO) CHECKLIST

Community Development Block Grant (CDBG) funds may be provided to CBDO's to carry out certain activities. The information contained in this checklist refers to the definition of CBDO's in the Community Development Block Grant (CDBG) regulations at 24 CFR 570.204.

I. ELIGIBLE ACTIVITIES

Under this section of the regulations, a qualified CBDO can only carry out the following three types of activities:

- A. Neighborhood Revitalization: Activities must be of sufficient size and scope to have an impact on the decline of a geographic location, designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographic designation, within the Urban County jurisdiction (but not the entire jurisdiction of the entitlement community unless it has a population of 25,000 or less). The activities considered for this purpose are not limited to those funded with CDBG assistance.
- B. Community Economic Development: Activities that increase economic opportunity, principally for low and moderate income persons, or that are expected to create or retain business or permanent jobs within the community. Housing activities may be included under this project type if they can clearly link the need for affordable housing accessible to existing or planned jobs, or otherwise address the Consolidated Plan's definition of "expanded economic opportunity" at 24 CFR Part 91.1(a)(1)(iii).
- C. Energy Conservation: Activities that are clearly designed to conserve energy for the benefit of residents within the Urban County jurisdiction. An example may involve the construction of energy efficient housing where substantial savings in heating/cooling costs can be expected.

Indicate which of the above categories of activities will be, or are now, carried out by your organization.

F. Except as authorized above (item E), the governing body is nominated and approved by the general membership of the organization, or by its permanent governing body, as evidenced by:

☐ Articles of Incorporation,
☐ By-laws, or
☐ Charter

G. Is free to contract goods and services from vendors of its own choosing, as evidenced by:

☐ Articles of Incorporation,
☐ By-laws, or
☐ Charter

2. A CBDO that does not meet the above criteria (under item 1) may also qualify as an eligible entity under this section if it is a Community Housing Development Organization (CHDO) under 24 CFR 92.2, designated as a CHDO by the HOME Investments Partnerships Program participating jurisdiction, **with a geographic area of operation of no more than one neighborhood**, and has received or expects to receive HOME funds, as evidenced by:

☐ Not Applicable,
☐ Articles of Incorporation,
☐ By-laws, or
☐ Charter

Please attach documentation for all the above checked off items.

Executive Director (Print) _____

(Signature) _____

Organization Name _____

Address _____

Telephone Number _____

Date _____

**City of San Diego
Community Development Block
Grant (CDBG) Program**

**Presentation to the
City of San Diego's Budget
Committee**

January 16, 2008

ELIGIBLE CBDO'S**1. A CBDO qualifying under this section is an organization that has the following characteristics:**

- A. Is organized under State or local law to carry out community development activities (which may include housing and community development activities) primarily within an identified geographic area of operation within the jurisdiction of the City, as evidenced by:
- ☐ Articles of Incorporation, or
 - ☐ Charter
- B. Its primary purpose is the improvement of the physical, economic or social environment of its geographic area of operation by addressing one or more critical problems of the area, with particular attention to the needs of persons with low and moderate income, as evidenced by:
- ☐ Articles of Incorporation,
 - ☐ By-laws,
 - ☐ Charter, or
 - ☐ Resolutions
- C. If a for-profit organization, monetary profits to its shareholders or members must be incidental to its operation, as evidenced by:
- ☐ Not Applicable,
 - ☐ Articles of Incorporation, or
 - ☐ Charter
- D. Maintains at least 51% of its governing body's membership for the following: 1) low and moderate income residents of geographic area of operation; or 2) owners, or senior officers, of private establishments and other institutions located in and serving its geographic area of operation; or 3) representatives of low and moderate income neighborhood organizations located in its geographic area of operation, as evidenced by:
- ☐ Articles of Incorporation,
 - ☐ By-laws, or
 - ☐ Charter